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Building trust in government in pursuit of the sustainable development goals: what will it take?

Building trust in government in pursuit of the sustainable development goals: the case of Nicaragua

Note by the Secretariat

The paper entitled "Building trust in government in pursuit of the sustainable development goals: the case of Nicaragua" was prepared by Committee member Paul Oquist for the consideration of the Committee of Experts on Public Administration at its fourteenth session. The content of and the views expressed in the paper are those of the author and do not imply any expression of opinion on the part of the United Nations.

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Building trust in government in pursuit of the sustainable development goals: the case of Nicaragua

Summary

The present paper explores the issue of trust in government in pursuit of the sustainable development goals from the perspective of Nicaragua. It highlights how trust is a fundamental factor in building the legitimacy and sustainability of political systems and addresses its importance in pursuing the sustainable development goals in the post-2015 agenda. It explores the multifaceted nature of trust, describing it as being composed of three deeply interconnected dimensions: political trust, social trust and economic trust. A key enabler in their achievement is social capital.

The case of Nicaragua is taken as an example of how policies and reforms have achieved a high level of trust by reducing poverty, inequality and crime rates while bringing the yearly gross domestic product growth to 5 per cent. It emphasizes the importance of inclusive and consensual mechanisms of political and civic participation in constructing solid social capital and pursuing equality. It also describes the micro/macro strategy of the Government of Nicaragua as a practice of good governance, a strategy that combines macroeconomic policies regarding infrastructure and telecommunications with microeconomic interventions to enhance the productivity and economic status of families, especially in rural areas.

In conclusion, the author discusses how the sustainable development goals in the post-2015 context could be achieved, drawing from the Nicaraguan case. The virtuous cycle generated by building social capital through citizens' education and participation, technological expertise and shared responsibility, and alliances among the different sectors of society produces, according to the author, social, economic and political trust, developing trust in the future in the process.

I. Building trust in government in pursuit of the sustainable development goals: the case of Nicaragua

1. Trust is a complex interpersonal and organizational construct.[1] Trust is also much more than that. It is the underpinning of all human contact and institutional interaction.[2] Trust comes into play every time a new policy is announced.[3] Trust, in this regard, emerges as one of the most important ingredients upon which the legitimacy and sustainability of political systems are built.[4]

2. Trust in general has two main variants. Trust assessed in political terms is the so-called political trust. Political trust happens when citizens appraise the government and its institutions, policy-making in general and/or the individual political leaders as promise-keeping, efficient, fair and honest. Political trust, in other words, is the "judgment of the citizenry that the system and the political incumbents are responsive, and will do what is right even in the absence of constant scrutiny".[5] As such, "political trust is a central indicator of public's underlying feeling about its polity".[6]

3. Social trust, which refers to citizens' confidence in each other as members of a social community, is inseparable from the notion of political trust. According to Putnam's theory, civic engagement in a community and the interpersonal trust among its members contribute to the rising of overall social trust in a given society. Face-to-face contact with members of the community in societal associations allows people not only to get to know each other better in personal terms, but it also permits them to extend the positive feeling derived out of this civic experience to strangers in the society and in the government. It is a well-known fact that citizens who are not involved in civic activities tend to view the government and its institutions in more negative terms. Social capital has a significant and strong effect on trust in government apart from, and along with, government performance.[7]

4. Increasing social and political trust through the implementation of sound economic policies is also crucial for good and effective governance. "A competent

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[1] Steve Duck, ed., *Handbook of Personal Relationships: Theory, Research and Interventions*, 2nd ed. (New York, Wiley, 1997); Roderick M. Kramer and Tom R. Tyler, eds., *Trust in Organizations: Frontiers of Theory and Research* (Thousand Oaks, California, Sage Publications, 1996).

[2] Fran Tonkiss and others, eds., *Trust and Civil Society* (Basingstoke, United Kingdom of Great Britain and Northern Ireland, Macmillan, 2000); Barbara A. Misztal, *Trust in Modern Societies: The Search for the Bases of Social Order* (Cambridge, Polity Press, 1996).

[3] See José Antonio Ocampo, "Congratulatory message", statement to the Regional Forum on Reinventing Government in Asia Seoul, 6-8 September 2006.

[4] Peri K. Blind, "Building trust in Government in the twenty-first century: review of literature and emerging issues", paper prepared for the 7th Global Forum on Reinventing Government: Building Trust in Government, Vienna, 26-29 June 2007.

[5] See Arthur H. Miller and Ola Listhaug, "Political parties and confidence in Government: a comparison of Norway, Sweden and the United States", *British Journal of Political Science*, vol. 20, No. 3 (July 1990).

[6] See Kenneth Newton and Pippa Norris, "Confidence in public institutions: faith, culture, or performance?", in *Disaffected Democracies: What's Troubling the Trilateral Countries?*, Susan J. Pharr and Robert D. Putnam, eds. (Princeton, New Jersey, Princeton University Press, 2000).

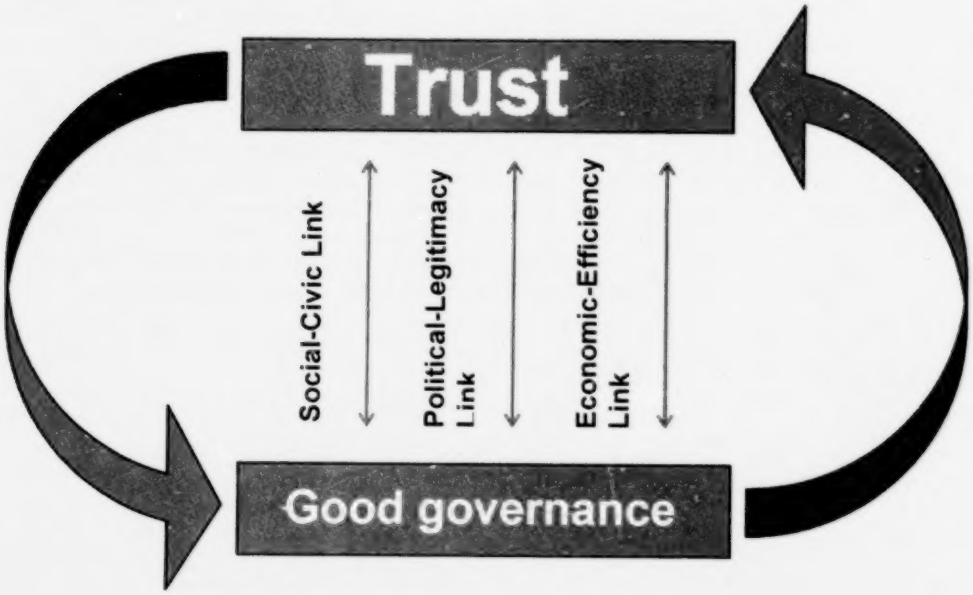
[7] See Luke Keele, "The authorities really do matter: party control and trust in Government", *The Journal of Politics*, vol. 67, No. 3 (August 2005), pp. 873-886.

state needs to provide for open, efficient, and competitive markets".[8] States need to create the institutional structure and the credibility for market economies to function effectively. Increasing trust via effective economic policy-making brings good governance only if the economic-efficiency link takes into account the social variable. In other words, governments, in applying policies that increase competitiveness, have to take into account the problems of social inequality and marginalization associated with globalization. A competent state can increase political and social trust as well as economic efficiency only by implementing safety nets and social programs, which target the poorest and the unskilled.[4] This in turn leads to a third type of trust: economic trust.

5. Figure 1 illustrates the relationship between the political, social and economic variables, termed "links", in building trust for good governance.[4]

Figure 1

Relationship between social, political and economic variables in building trust for good governance



6. In a number of Latin American countries, a new era has dawned in which the relationship between those governing and those being governed is continuously shaped and galvanized by major public policies aimed at reducing poverty and inequality; this in turn fosters and boosts trust in government.

[8] See Dennis A. Rondinelli, "Promoting national competitiveness in a globalizing economy: the State's changing roles", in *Reinventing Government for the Twenty-First Century: State Capacity in a Globalizing Society*, Dennis A. Rondinelli and G. Shabbir Cheema, eds. (Bloomfield, Connecticut, Kumarian Press, 2003), pp. 33-61.

II. Political trust in Nicaragua

7. Unlike the situation of other political systems in industrialized countries and developing countries, in which symptoms of so-called democratic malaise[9] manifest themselves as declining voter turnout,[10] young people's lack of interest in politics[11] and decreasing rates of social participation,[12] the situation in Nicaragua is completely different. Surveys conducted in 2014 by national and foreign private companies show that Nicaraguan citizens largely trust their government, the political leadership and their institutions, and are hopeful about the model and the objectives pursued.

8. The following paragraph contains the results of a survey published in January 2015 by M&R, the company used by opposition newspapers and parties.[13]

9. A total of 58.6 per cent of voters identify as partisans of Frente Sandinista de Liberación Nacional (FSLN) — a historical high — while 4.6 per cent side with the Partido Liberal Constitucionalista (PLC), 2.7 per cent with Partido Liberal Independiente (PLI), 0.3 per cent with Movimiento Renovador Sandinista (MRS), 0.1 per cent with Partido Conservador (PC), and 0.2 per cent other parties, for a total of 7.9 per cent leaning to opposition parties. Other survey results include the following:

(a) The second largest share of voters is independent or not affiliated with a party (33.4 per cent).

(b) The approval rating of government administration stands at 65.8 per cent.

(c) A total of 72.9 per cent of the population approves of the economic management of the country.

(d) A total of 79.0 per cent is of the opinion that the Government of Nicaragua seeks to foster unity and reconciliation between Nicaraguans.

(e) A total of 77.3 per cent believes that the Government generates hope.

(f) A total of 81.9 per cent approves the Government's project, the Grand Interoceanic Canal, with 61.6 per cent expressing absolute approval and 20.3 per cent partial approval, as against 17.1 per cent disapproving of the project completely.

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[9] See Brian A. Tanguay, "Canada's party system in the 1990s: breakdown or renewal?", in *Canadian Politics*, 3rd ed., James Bickerton and Alain-G. Gagnon, eds. (Peterborough, Ontario, Broadview Press, 1999).

[10] Gray, M. and M. Caul. "Declining Voter Turnout in Advanced Industrial Democracies: 1950 to 1997: The Effects of Declining Group Mobilization" Comparative Political Studies 33 (2000); R. Kenneth Carty and Munroe Eagles, "Do local campaigns matter? Campaign spending, the local canvass and party support in Canada", Electoral Studies, vol. 18, No. 1 (1999), pp. 69-87.

[11] See Margaret Adsett, "Change in political era and demographic weight as explanations of youth 'disenfranchisement' in federal elections in Canada, 1965-2000", *Journal of Youth Studies*, vol. 6, No. 3 (2003).

[12] John Ralston Saul, *The Unconscious Civilization* (Concord, Ontario, Anansi Press, 1995); Robert D. Putnam, Bowling Alone: The Collapse and Revival of American Community (New York, Simon and Schuster, 2000).

[13] M&R Consultores. "Encuesta sobre simpatía política partidaria". Sistema de monitoreo de la opinión pública, XLIII edition (Managua, 2014). Available in Spanish from www.myrconsultores.com/page/estudios_resultados.html.

(g) A total of 90.2 per cent considers that dialogue is the way to resolve differences, controversy and problems with the Government.

10. This context has helped Nicaragua to achieve the highest citizen security in Central America. The number of violent deaths has dropped by 22 per cent over the last four years. The homicide rate in Nicaragua is the second lowest in the Central American region, with 9.8 homicides for every 100,000 inhabitants, as compared to 84.0 in Honduras, 34.0 in Guatemala, 30.0 in El Salvador, 18.0 in Panama and 8.9 in Costa Rica. In Nicaragua, the rate has decreased every year over the last four years. Furthermore, Nicaragua has the fewest number of vehicles stolen in Central America — 172 vehicles in 2013 — compared to exceedingly high figures elsewhere: 7,330 in Guatemala; 5,475 in Honduras; 3,800 in Costa Rica, 2,811 in El Salvador and 720 in Panama. The number of vehicles stolen has also gone down every year over the last four years, for a total decrease of 55.5 per cent.

11. In its 2013 Regional Human Development Report, the United Nations Development Programme (UNDP) underlines that the National Police of Nicaragua is a leading institution, recognized in the region and other areas of the world for its preventive, proactive and community-based model.[14]

III. Social trust in Nicaragua

12. In the same spirit of inclusiveness which saw members of the armed resistance of the 1980s joining the ranks of the Government of Reconciliation and National Unity, the Great Alliance was established, bringing together farmers, workers, small-, medium- and large-scale producers, regional autonomous governments, local governments and the national Government. This alliance is not theoretical. The minimum wage has been negotiated by consensus every year for the past four years. Additionally, in the free zone minimum wages are set three years in advance. As such, in 2015 the minimum wage for 2018 will be made known. This is all agreed on by consensus, as was also the case with two fiscal reforms and one social sector reform undertaken. It has allowed Nicaragua to enjoy social and employment security. There are almost no strikes today.

13. Draft legislation, issues related to the implementation of policies and laws, and national and local situations requiring action are discussed in citizens' groups for production and for the family, community and life, which have been set up throughout the country. This has further strengthened the organizational capacity and the mobilization of the Nicaraguan people with regard to social issues. Every year 1.1 million Nicaraguans, primarily young people and women, volunteer in charity, cultural, environmental, sporting and recreational activities relating to children, women, young people, older adults, health, public safety, school retention, literacy, sexual diversity and communication. They also engage in community service and awareness-raising actions relating to the everyday problems facing families and communities, such as preventing youth gangs and reintegrating gang members into society and assisting specialized women's and children's police units in identifying and dealing with domestic violence.

[14] United Nations Development Programme, *Regional Human Development Report 2013-2014: Citizen Security with a Human Face — Evidence and proposals for Latin America* (New York, 2013).

14. This tremendous social capital has allowed Nicaragua to have social programmes that far exceed what might be expected given its level of economic development.

Gender equity

15. The advancement of women since 2007 has been considerable. According to Inter-Parliamentary Union statistics, Nicaragua is ranked first in the world in terms of women in ministerial positions (57 per cent) and ninth in terms of women in parliament, with 42 per cent, as compared to 18 per cent in 2006. In 2016, women will account for 50 per cent of parliamentarians as a result of a law, first implemented in the 2012 municipal elections, which makes gender parity on lists of candidates mandatory for all political parties. Therefore, in 2016, if nothing changes, Nicaragua will be ranked first for number of women in ministerial positions and second for number of women in parliament.

16. Nicaragua moved from ninetieth place in the World Economic Forum's Gender Gap Index for 2007 to tenth place in 2013.[15] Statistics for 2014 show Nicaragua ranked sixth in the world. The five top-ranked countries are from the Nordic region, making Nicaragua No. 1 in the rest of the world — a feat achieved in only seven years.

IV. Economic trust in Nicaragua

17. Nicaragua's inclusive and redistributive economic policies support the objective of achieving economic growth with macroeconomic stability, job creation and reduction of poverty and inequality.

Economic growth with macroeconomic stability, and job creation to reduce poverty and inequality

18. Nicaragua's economic policy aims to preserve a stable macroeconomic framework, stimulating domestic private investment, foreign investment, public investment, entrepreneurship, production and productivity, in order to increase economic growth and social benefits for the poorest, and thus reduce inequality. This is useful not only to stimulate economic and social progress, but also to deal with uncertainties that may arise in the international context.

19. The gross domestic product (GDP) grew by 5.3 per cent and 2.9 percent in 2007 and 2008, respectively; however, it decreased by 2.8 per cent in 2009, as a result of the worst global economic and financial crisis of the last 80 years. The Nicaraguan economy has since recovered rapidly, growing by 3.3 per cent in 2010, 5.7 per cent in 2011 and 5.0 per cent in 2012; that momentum continued into 2013, when economic growth amounted to 4.6 per cent. In the last three years, average growth has been 5 per cent.

20. This is mainly the result of the strong performance of the agriculture, forestry, fishing and mining and construction sectors; the fact that export revenue has doubled from some US$2 billion to $4.5 billion; and foreign investment, which has increased fivefold from $286.7 million in 2006 to $1.5 billion in 2013.

[15] World Economic Forum, *The Global Gender Gap Report 2013* (Geneva, 2013).

21. The restitution of the constitutional rights to health and to universal and free education has resulted in savings of $845 per year for a family of five compared to the cost recovery of previous governments. In addition to subsidies for the poor (public transport, water and sanitation, electricity, food staples, vouchers for low-income State employees) and targeted support for poor families through programmes such as Hambre Cero and Usura Cero which are aimed at women in rural and urban areas respectively, have significantly reduced poverty and inequality.

22. There has been an improvement in the indicators for unmet basic needs. Between 2005 and 2009, the housing and low school completion indicators fell by 10.9 and 10.4 percentage points respectively. While there has been progress with regard to inadequate housing, which has decreased by 0.6 percentage points, it remains one of the most important social challenges for the country. Similarly, under the Programa Techo, zinc sheets and nails have been distributed to over 750,000 families to ensure quality roofs for the poorest households.

23. There has been a decline of 1.0 and 1.3 percentage points in the indicators for insufficient services and economic dependency respectively.

24. In the Latin America and the Caribbean region, Nicaragua reduced malnutrition and hunger the most, in percentage terms, between 1990 and 2012, with the number of undernourished people dropping by 49.2 per cent. According to the 2012 report of the Food and Agriculture Organization of the United Nations on the state of food security in the world,[16] the proportion of undernourished persons in the total population fell from 55.1 per cent during the period 1990-1992 to 20.1 per cent during the period 2010-2012.

25. With this major step forward in the fight against hunger, Nicaragua has become one of the few countries in Latin America and the Caribbean to have already achieved the World Food Summit target of reducing the number of undernourished people by half between the period 1990-1992 and 2015 and the target of the first Millennium Development Goal of halving, between 1990 and 2015, the proportion of people who suffer from hunger.

Reducing poverty and inequality

26. According to the results of the most recent living standards survey, conducted in 2009 by the National Development Information Institute (INIDE), Nicaragua reversed the rising trend of poverty: the incidence of overall poverty fell by 5.8 percentage points, from 48.3 per cent in 2005 to 42.5 per cent in 2009, and extreme poverty dropped by 2.6 percentage points, from 17.2 per cent in 2005 to 14.6 per cent in 2009. In contrast, between 2001 and 2005, overall poverty and extreme poverty increased by 2.5 and 2.1 percentage points respectively.

27. Considering this from the perspective of the international poverty line, extreme poverty (less than $1.25 per day) decreased by more than half, from 11.2 per cent in 2005 to 5.5 per cent in 2009. Overall poverty (less than $2 per day)

[16] Food and Agriculture Organization of the United Nations (FAO), World Food Programme and International Fund for Agricultural Development, *The State of Food Insecurity in the World: Economic growth is necessary but not sufficient to accelerate reduction of hunger and malnutrition* (Rome, FAO, 2012).

also fell during that period, plunging 10.6 percentage points from 31.6 per cent to 21.0 per cent.

28. According to the World Bank, between 2000 and 2011, the Latin American country that reduced inequality the most was Nicaragua, with an annual percentage change of -2.64 in the Gini coefficient; it was followed by Bolivia, Ecuador and Argentina. This figure is even more significant when one considers that the average decline in Central America was less than 1 per cent (including an increase of 0.61 per cent in Honduras).

29. From an expenditure perspective, the distribution of consumption between 2005 and 2009 shows that average annual per capita consumption increased in all quintiles with the exception of the highest consumption quintile; the first quintile, composed of the poorest households, had the highest increase, absorbing 6.8 per cent of total consumption per capita in 2009, up from 6.2 per cent in 2005, which represented an increase of 9.7 per cent.

30. At the same time, the average annual per capita consumption of the last — and wealthiest — quintile fell by 5.7 per cent, from 47.2 per cent of total consumption in 2005 to 44.5 per cent in 2009.

31. Nicaragua's major challenge continues to be reducing overall and extreme poverty in rural areas, where poverty is most pronounced. Extreme rural poverty is approximately five times higher than extreme urban poverty, while overall poverty in rural areas is twice as high in urban areas. Significant progress has been made in that regard as a result of the implementation of targeted policies and programmes in rural areas.

V. Trust in the future

32. Serious disparities exist in Nicaragua, which remains the second poorest country in Latin America and the Caribbean. However, its people know that the country has seen the worst, and each year it climbs a little further out of poverty and inequality, owing to government policies.

33. Since 2007, three very important events have taken place in Nicaragua, the first two being the entry into the Bolivarian Alliance for the Peoples of Our America (ALBA) and the Petrocaribe oil agreement, and the implementation of the "micro-macro" strategy, which provides for the transformation of the household economy and small and medium production, and for an increase in productivity, value added and the well-being of families and their communities. The third major milestone was the realization of several megaprojects, including the Boboké and Tumarín industrial complex, for $1.3 billion; the Supreme Dream of Bolívar refinery, for $6.7 billion; and the Grand Interoceanic Canal, for $40 to 50 billion. These are proof that with vision and courage funding can be obtained to achieve the development goals established by the Nicaraguan model, ensuring no one is left behind by applying both "micro" and "macro" strategies.

34. In addition to government funding, foreign aid and remittances that are part of almost all countries' economies, social development, and now economic development, benefit from resources deriving from the Petrocaribe oil agreement, contributing $2.7 billion to social programmes. There have also been major foreign investments, with a portfolio of contracted works worth $10.9 billion over the next

several years, and the launch of such megaprojects as the Grand Interoceanic Canal involving an investment of between US$ 40 and $50 billion by the end of the decade, in a country whose economy was worth $11.2 billion last year. Trust in the future is bolstered by the micro-macro strategy, which in its micro aspect aims to ensure that no one is left behind in the development process.

35. On the microeconomic level, the Ministry of Household, Communal, Cooperative and Associative Economy was established to transform the country's existing agricultural economy, and small and medium production, which comprises the household economy (49%) and medium production (21%), for a total of 70 per cent of the workforce. The goal is to increase the yields, productivity, value added and revenue of such production, thereby benefiting families and their communities. It should also alleviate what economists call "Dutch disease" in rapidly growing economies.

36. On the macroeconomic level, the Government has, over the past seven years, created a socioeconomic environment conducive to the development of the large transformative investments that the country needs. Some of the most important investments in this regard have been in the fields of infrastructure, telecommunications, satellites (there have been two Nicaraguan deployments, one for telecommunications, in 2015, and one for observation, in 2017) and the expansion and transformation of the energy mix from a proportion of 25 per cent renewable energy in 2007, to 51 per cent renewable energy in 2013, and an expected 90 per cent by 2020 based on a portfolio of contracted works in energy investment.

37. However, all these investments are insufficient. Nicaragua has been growing at levels from 4.5 per cent to 5.0 per cent in recent years, but requires growth of 8 per cent to meet the population's most pressing needs and 10 per cent or more, to achieve our ultimate goal of eradicating extreme poverty, reforesting the country and increasing the resilience of ecosystems to the impacts of climate change — the best form of adaptation.

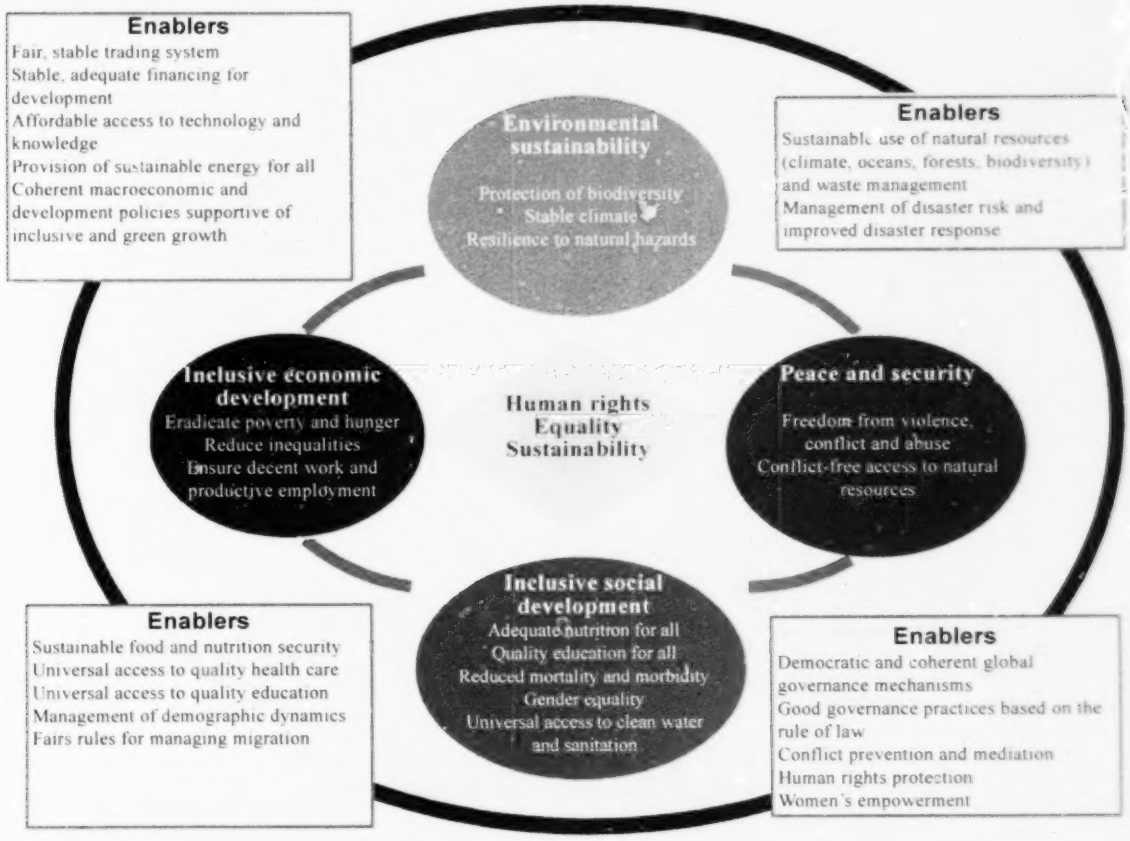
38. While building the economy associated with the Grand Canal and its transportation, trade and services, and the global and regional logistics hub they will require, we want to avoid losing our present agricultural economy and, on the contrary, strengthen it. All of these achievements provide hope, which is felt by 80.9 per cent of citizens.[13]

VI. The pursuit of the sustainable development goals

39. This paper examines how the political, social and economic trust and hope achieved in Nicaragua can contribute to the achievement of the sustainable development goals. A model which the United Nations could apply to achieve the goals is presented below (see figure II).

Figure II

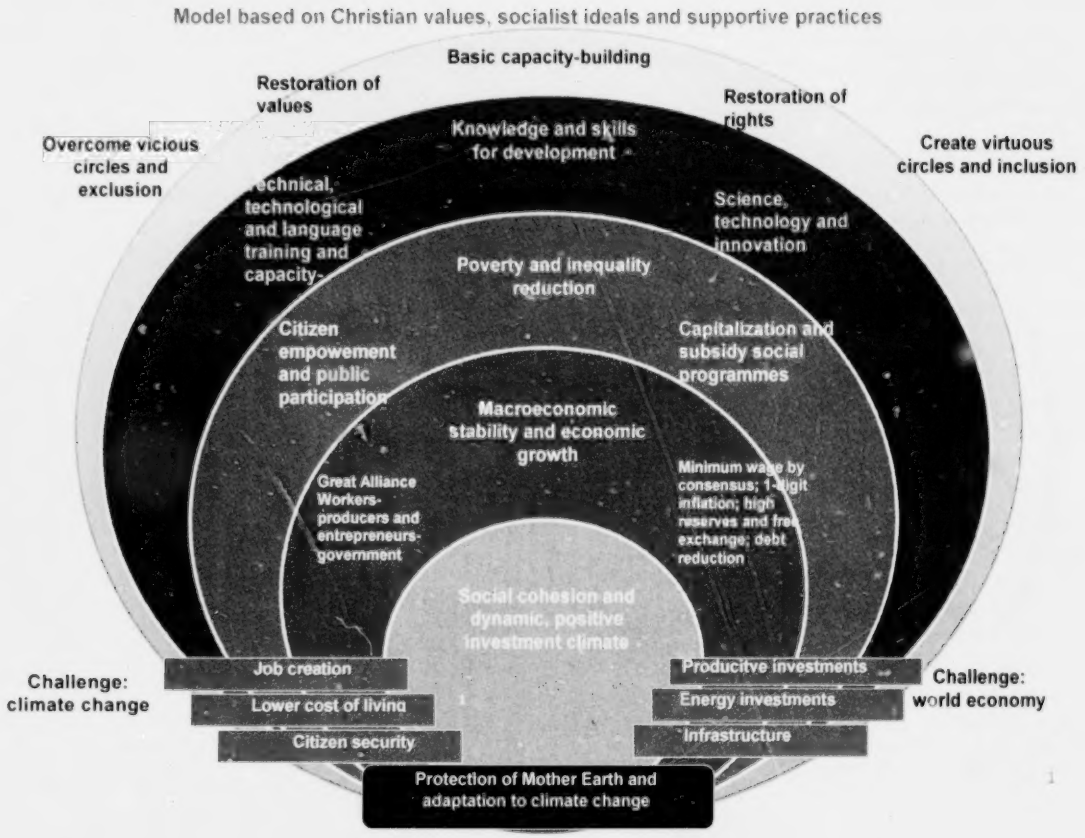
A holistic model for "realizing the future we want for all" pursuant to the United Nations post-2015 development agenda


Enablers
Fair, stable trading system
Stable, adequate financing for development
Affordable access to technology and knowledge
Provision of sustainable energy for all
Coherent macroeconomic and development policies supportive of inclusive and green growth
Environmental sustainability
Protection of biodiversity
Stable climate
Resilience to natural hazards
Enablers
Sustainable use of natural resources (climate, oceans, forests, biodiversity) and waste management
Management of disaster risk and improved disaster response
Inclusive economic development
Eradicate poverty and hunger
Reduce inequalities
Ensure decent work and productive employment
Human rights
Equality
Sustainability
Peace and security
Freedom from violence, conflict and abuse
Conflict-free access to natural resources
Inclusive social development
Adequate nutrition for all
Quality education for all
Reduced mortality and morbidity
Gender equality
Universal access to clean water and sanitation
Enablers
Sustainable food and nutrition security
Universal access to quality health care
Universal access to quality education
Management of demographic dynamics
Fairs rules for managing migration
Enablers
Democratic and coherent global governance mechanisms
Good governance practices based on the rule of law
Conflict prevention and mediation
Human rights protection
Women's empowerment

40. Figure II illustrates a holistic model for achieving the sustainable development goals, based on the development model followed by Nicaragua.

41. Below, a description is provided of how Nicaragua has focused on building trust in government, related to the requirements for achieving the sustainable development goals.

Figure III
The case of Nicaragua


Model based on Christian values, socialist ideals and supportive practices
Basic capacity-building
Restoration of values
Restoration of rights
Overcome vicious circles and exclusion
Knowledge and skills for development
Create virtuous circles and inclusion
Technical, technological and language training and capacity-
Science, technology and innovation
Poverty and inequality reduction
Citizen empowement and public participation
Capitalization and subsidy social programmes
Macroeconomic stability and economic growth
Great Alliance Workers-producers and entrepreneurs-government
Minimum wage by consensus; 1-digit inflation; high reserves and free exchange; debt reduction
Social cohesion and dynamic, positive investment climate
Challenge: climate change
Job creation
Lower cost of living
Citizen security
Producitve investments
Energy investments
Infrastructure
Challenge: world economy
Protection of Mother Earth and adaptation to climate change

42. Figure III illustrates the development model for the well-being of Nicaraguan families.

Christian, socialist and supportive model followed by Nicaragua

43. In Nicaragua, 10 January 2007 not only marked a change of government, but also the beginning of a shift in values, attitudes and priorities, way of governing, power relations and policies. Policies are entirely oriented towards the development of Nicaraguan individuals and families, respecting their historical, cultural, social and twenty-first century national and regional political conditions.

44. In the case of Nicaragua, the set of catalysts that have helped to convert trust in the Government into the achievement of the sustainable development goals, as illustrated in figure III, begin with the elimination of exclusion and of the vicious circles that entrap poor families and underdeveloped nations. These are being overcome, one by one, and replaced with inclusiveness and virtuous circles.

45. The first ring of virtuous circles comprise the recovery of values, the restoration of the rights of the people and basic capacity-building (through, inter alia, literacy and continuing adult education). On a secondary level, they are made up of the knowledge and skills necessary for development, based on, inter alia, technical, technological and language education and training as well as national and local advances in science, technology and innovation.

46. The third ring comprises the reduction of poverty and inequality resulting from the first two levels, as well as citizen empowerment and participation and social programmes, including subsidies and targeted support for poor families. In the fourth ring, there are the macroeconomic stability and economic growth resulting from the first three levels of virtuous circles, and the Great Alliance among workers, producers, entrepreneurs and government. Farmers and workers join the Great Alliance as a result of the first four levels, while businessmen and women engage because of their participation in the decision-making process and the Government's readiness to implement agreements and overcome challenges and obstacles to production and the economy. This has led to consensus on wages, as well as two fiscal reforms and a reform of social insurance by consensus. This in turn has set the stage for single-digit inflation, the highest gross international reserves in the country's history, without capital controls, and a fiscal deficit of less than one per cent of GDP, as well as the reduction of external debt from 10 per cent of GDP in 2005 to 38 per cent in 2015.

47. The first four levels of virtuous circles have contributed to a rise in employment and formal employment, and the lowest cost of living in Latin America and the Caribbean and one of the lowest in the world, combined with the best citizen security in the region. The first four levels combined with these three elements have created social cohesion and a dynamic, positive investment climate that has led to investment in production energy and infrastructure. It is hoped that all of the above will be achieved in Nicaragua while protecting Mother Earth, preserving the balances in ecosystems and their synergies and adapting to climate change.

48. Two challenges are faced in this model. One is the volatility of the global economy and the possibility of a second major recession. It is believed that investment levels of up to $60 billion in the current decade, in what in 2013 was a $11.2 billion economy, will enable Nicaragua to avoid the greatest impact of a new recession, should it occur. There is no way to avoid the second challenge, climate change; the country is already being adversely affected by its impacts. The assessment by Economic Commission for Latin America and the Caribbean of the devastation caused by tropical depression 12E in 2010 concluded that Nicaragua needed $1.9 billion for rehabilitation and to adapt to climate change. It should be noted that our total tax collection in 2013 was precisely $1.9 billion. The Green Climate Fund of the United Nations Framework Convention on Climate Change has $10 billion in capital for all developing countries for the remainder of the decade, covering all aspects of the Convention on Climate Change. Obviously, it will not be possible to allocate $1.9 billion for mitigation and adaptation in Nicaragua alone. The Grand Interoceanic Canal project is therefore vital for generating the resources necessary to overcome poverty, undertake massive reforestation and strengthen ecosystems to build our capacity to adapt to climate change.

VII. Conclusions

49. The development model implemented by Nicaragua is helping to build trust in the three forms (political, social and economic) discussed and accepted by most scholars in the field; and it also incorporates a fourth variable (trust in the future).

50. The implementation in Nicaragua of this model underpins direct democracy, as may be seen in citizen organization and participation in the implementation of key policies and strategies for reducing poverty and inequality. This amplifies the positive feelings emanating from the economic, social, political and cultural model and has generated not only trust in public administration, but also social cohesion, peace and stability, which in turn reinforce trust in the Government by way of a virtuous circle.

51. Trust in public administration is founded on an understanding by citizens that a sustainable development model must be founded on inclusion and shared responsibility, thereby strengthening values, principles and practices that ensure peace, security and stability as bases for economic and social gains.